Indiana Michigan Power
Summer 2005 Preparedness

Presentation to the
Indiana Utility Regulatory Commission

May 5, 2005

AEP INDIANA MICHIGAN POWER®

I&M Presenters

John Sampson
VP – External Affairs

Bob Bradish
VP – Transmission and Market Analysis

AEP INDIANA MICHIGAN POWER®

Peak Demand – 2004

	Date	Hour Ending EST	Peak Demand MW
I&M	July 22	1500	4,016
AEP System-East Zone	Aug. 3	1700	19,049

AEP INDIANA MICHIGAN POWER®

I&M Summer 2005 Peak

Summer 2005 – Projected MW	June	July	August
Peak Internal Demand	4,003	4,242	4,180
Committed Off-System Sales	163	238	241
Total Demand	4,166	4,480	4,421
Interruptible Demand	(226)	(226)	(226)
Net Demand	**3,940**	**4,254**	**4,195**

AEP INDIANA MICHIGAN POWER®

I&M Resources to Meet 2005 Peak

	June	July	August
Installed Capability	5,044	5,042	5,042
Purchases	251	251	251
Total Capability	**5,295**	**5,293**	**5,293**

AEP INDIANA MICHIGAN POWER®

I&M Resources -- Reserve Margins

Interruptible Demand = 226 MW

	June	July	August
Total Capability	5,295	5,293	5,293
Total System Demand	4,166	4,480	4,421
Reserve Margins	1,129	813	872
Before Interruptibles (%)	27.1	18.1	19.7
Reserve Margins	1,355	1,039	1,098
After Interruptibles (%)	34.4	24.4	26.2

All numbers are MW except where indicated.

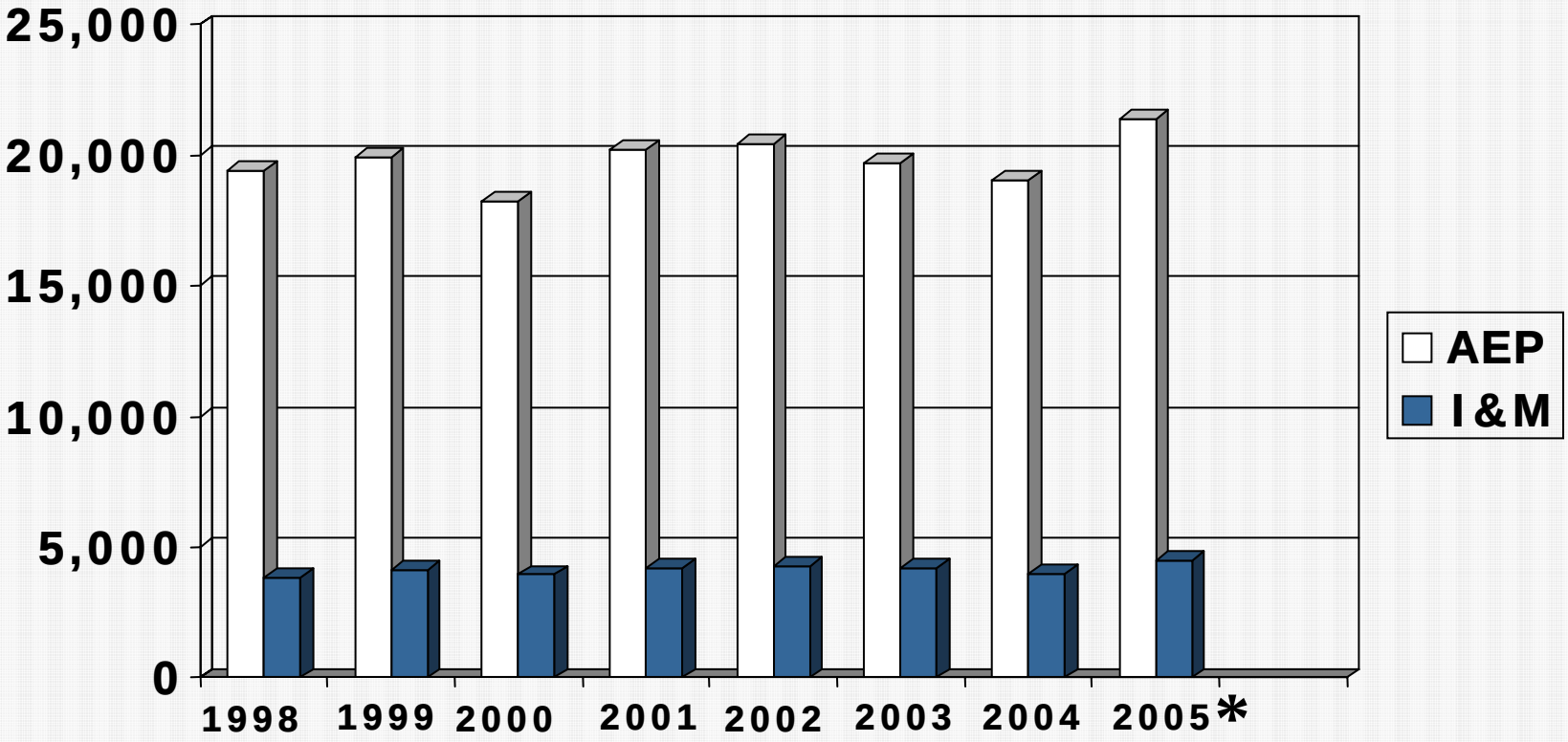
AEP INDIANA MICHIGAN POWER®

Summer 2005 Peak
AEP System-East Zone

Summer 2005 – Projected MW			
	June	July	August
Peak Internal Demand	18,943	20,428	19,790
Buckeye Power Load	1,379	1,428	1,428
Total Demand	**20,322**	**21,856**	**21,218**
Interruptible Demand	(475)	(475)	(475)
Net Demand	**19,847**	**21,381**	**20,743**

AEP INDIANA MICHIGAN POWER®

Summer Peaks
AEP System-East Zone /I&M



* 2005 Projected

AEP INDIANA MICHIGAN POWER®

Resources and Reserve Margins AEP System-East Zone

Interruptible Demand = 475 MW

	June	July	August
Total Capability + Purchases	25,097	24,662	24,662
Total System Demand	20,322	21,856	21,218
Reserve Margins Before Interruptibles (%)	4,775 23.5	2,806 12.8	3,444 16.2
Reserve Margins After Interruptibles (%)	5,250 26.5	3,281 15.3	3,919 18.9

All numbers are MW except where indicated.

AEP INDIANA MICHIGAN POWER®

Purchase Power Agreements
AEP System-East Zone

	June	July	August
OVEC	918	918	918
Summersville	20	15	16
Mone	447	447	447
Total	**1,385**	**1,380**	**1,381**

Additional purchases from market resources, which include Indiana merchant plants, may be made if a need arises. But the amounts and types of transactions will not be known until the specific circumstances are identified.

AEP INDIANA MICHIGAN POWER®

Reducing Peak Demand

- Interruptible Loads (Indiana 226 MW at peak)
  - Contract Service Interruptible Power tariff
- Load Management Services
  - Emergency Curtailable Service
  - Price Curtailable Service
- Time-of-Day Rates
  - 2,600 Indiana customers
  - 16,500 Off-peak water heating systems
  - Off-peak demand forgiveness for large commercial, industrial customers

AEP INDIANA MICHIGAN POWER®

Life in a PJM World

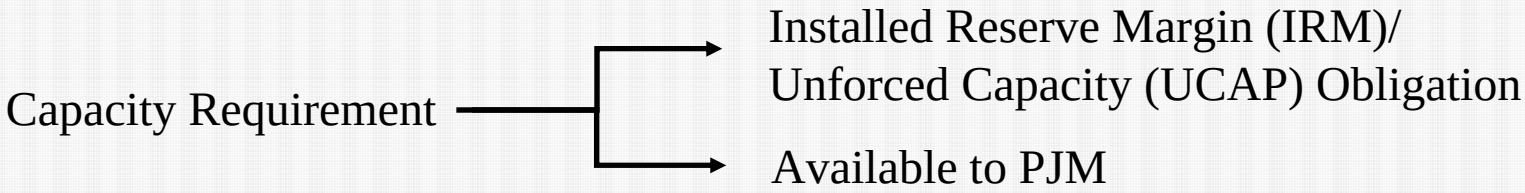
AEP INDIANA MICHIGAN POWER®

Major Elements of the PJM RTO

- Capacity Requirement
- Unit Commitment and Dispatch
- Congestion Management
- Reliability/Operations
- Settlement

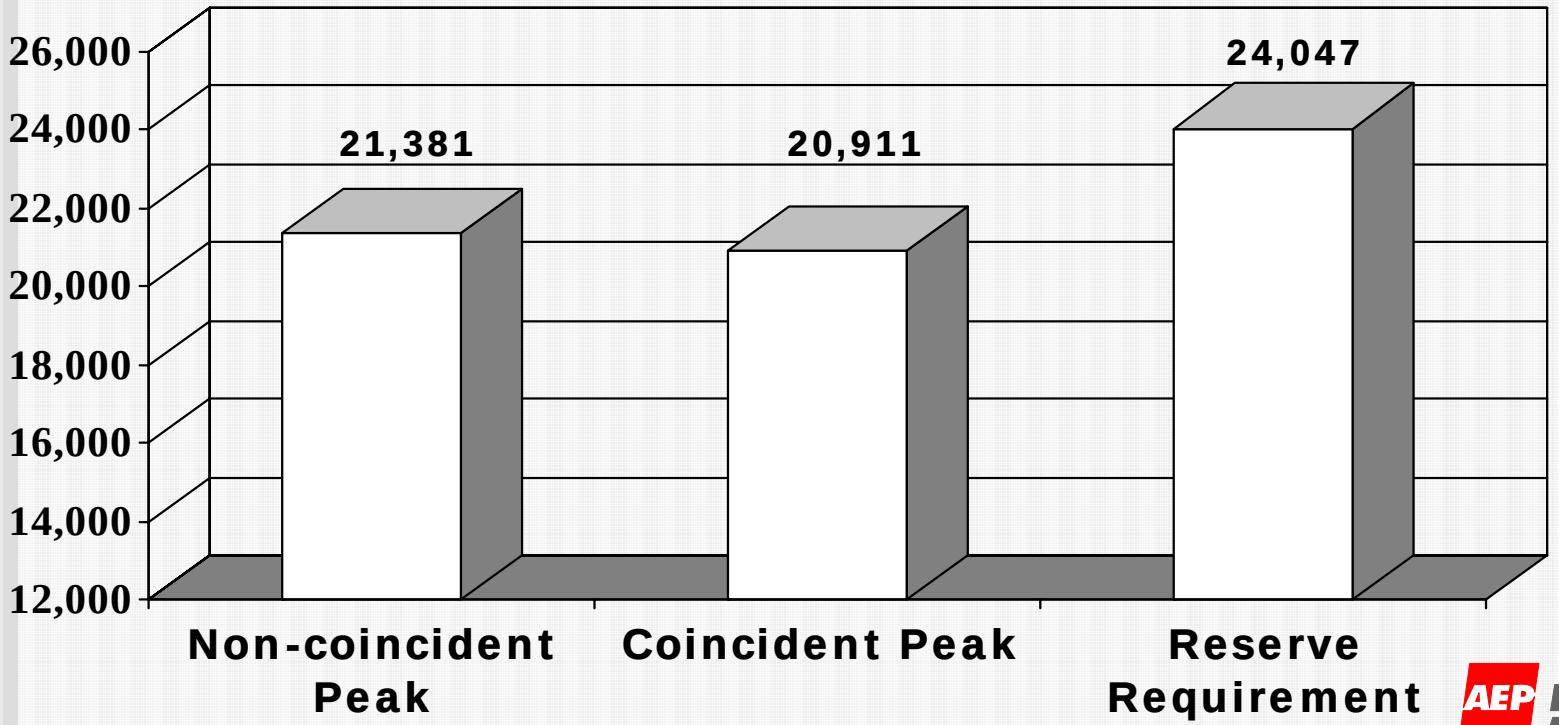
AEP INDIANA MICHIGAN POWER®

Major Elements



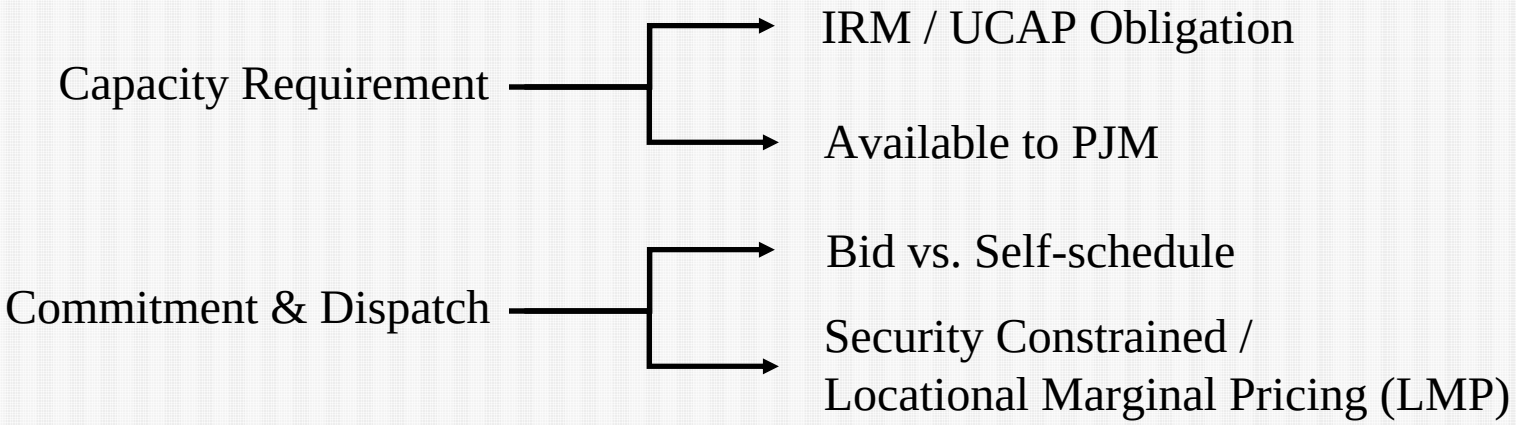
PJM Capacity Requirement

IRM = 15%, Diversity = 2.2%, Eq RM = 12.5%



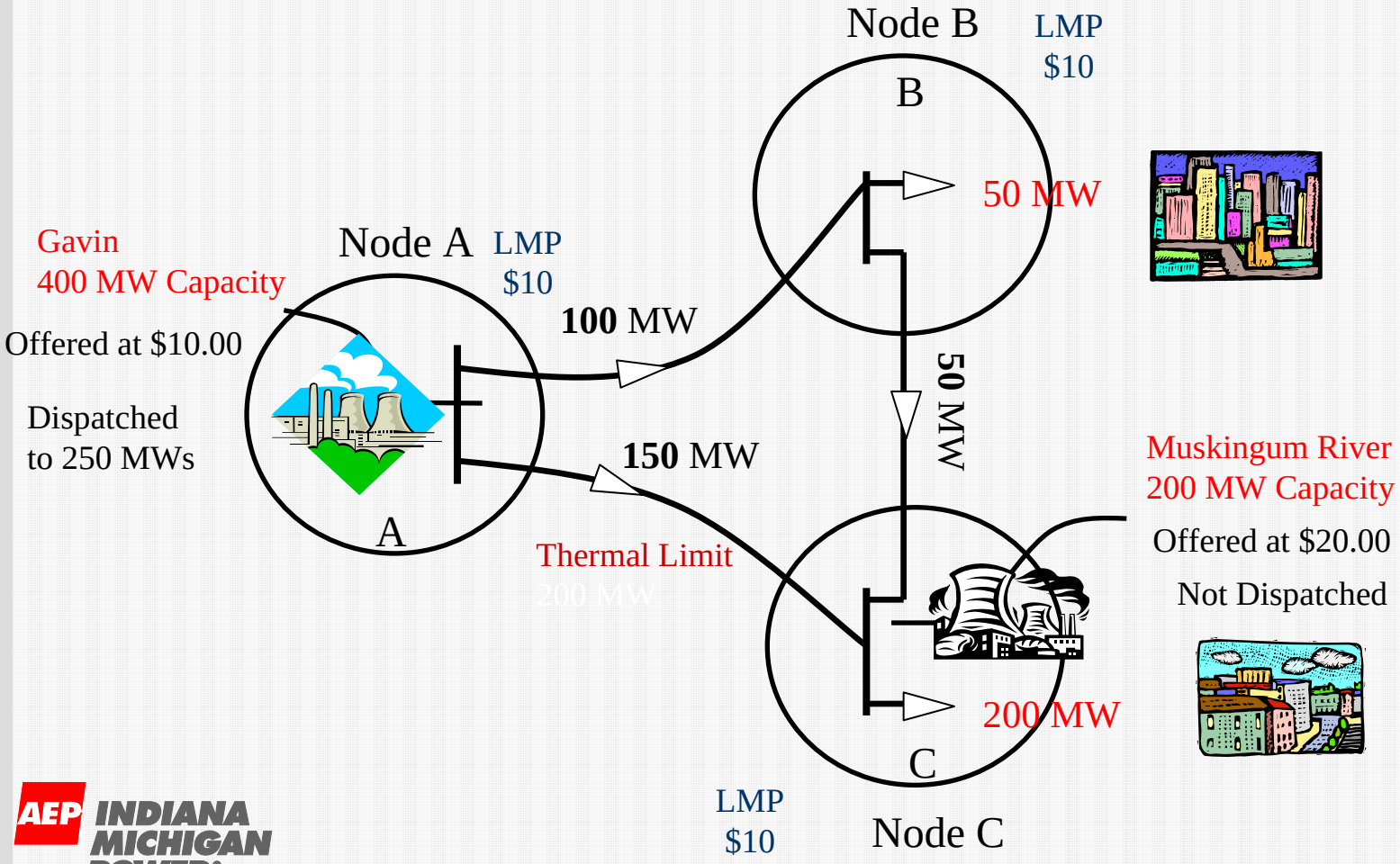
AEP INDIANA MICHIGAN POWER®

Major Elements

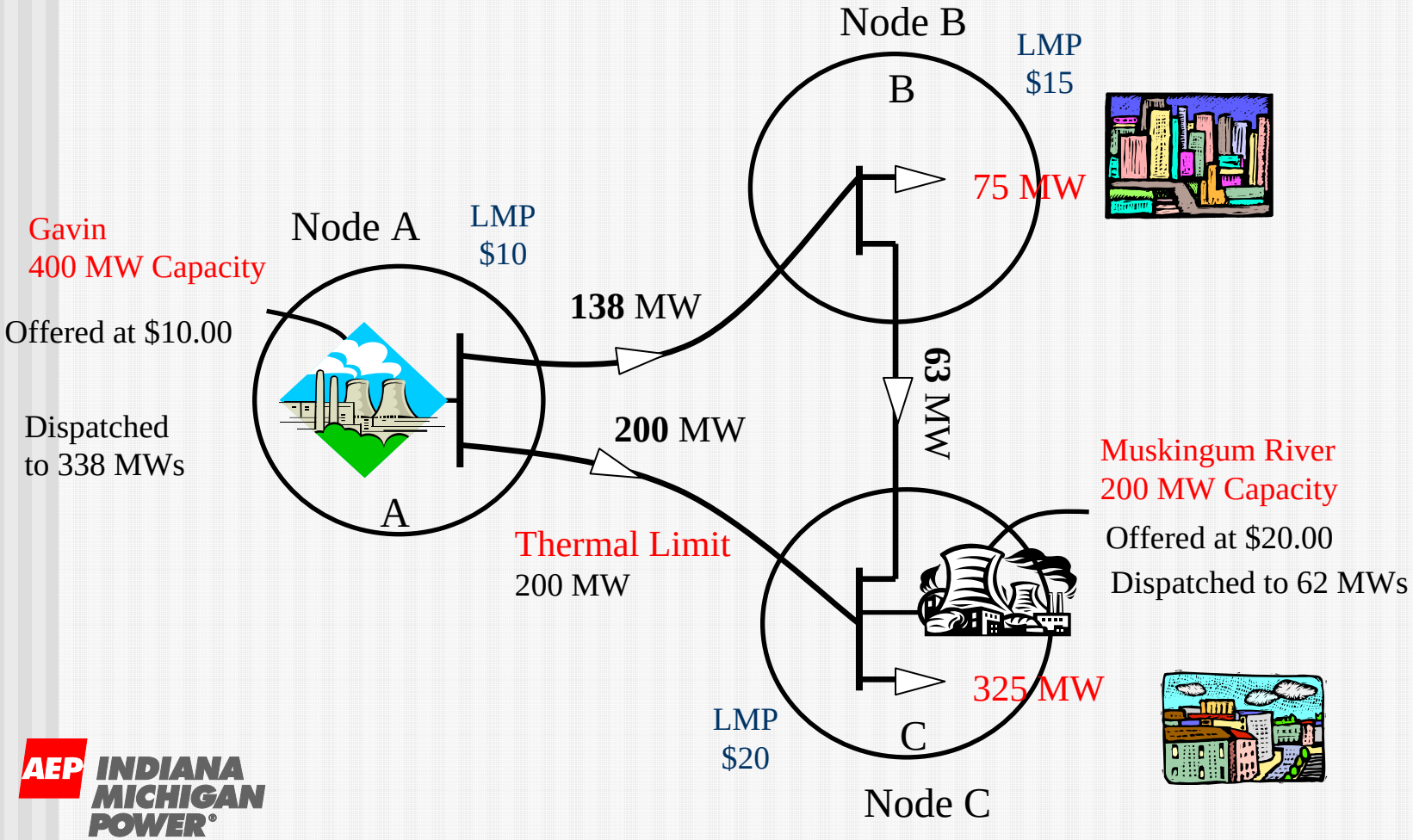


AEP INDIANA MICHIGAN POWER®

Unconstrained System
Valid Economic Solution

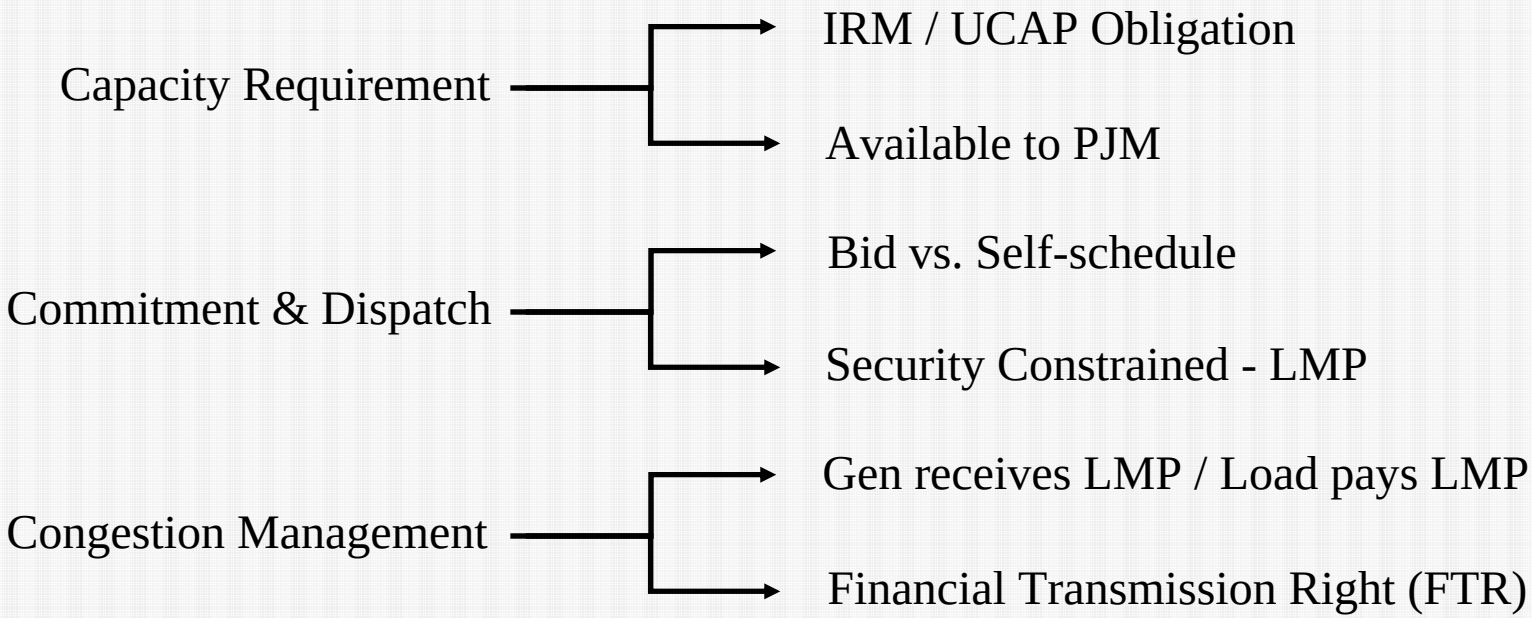


Constrained System
Valid Economic Solution



AEP INDIANA MICHIGAN POWER®

Major Elements



AEP INDIANA MICHIGAN POWER®

Financial Transmission Rights

LMP = $25 / MWh

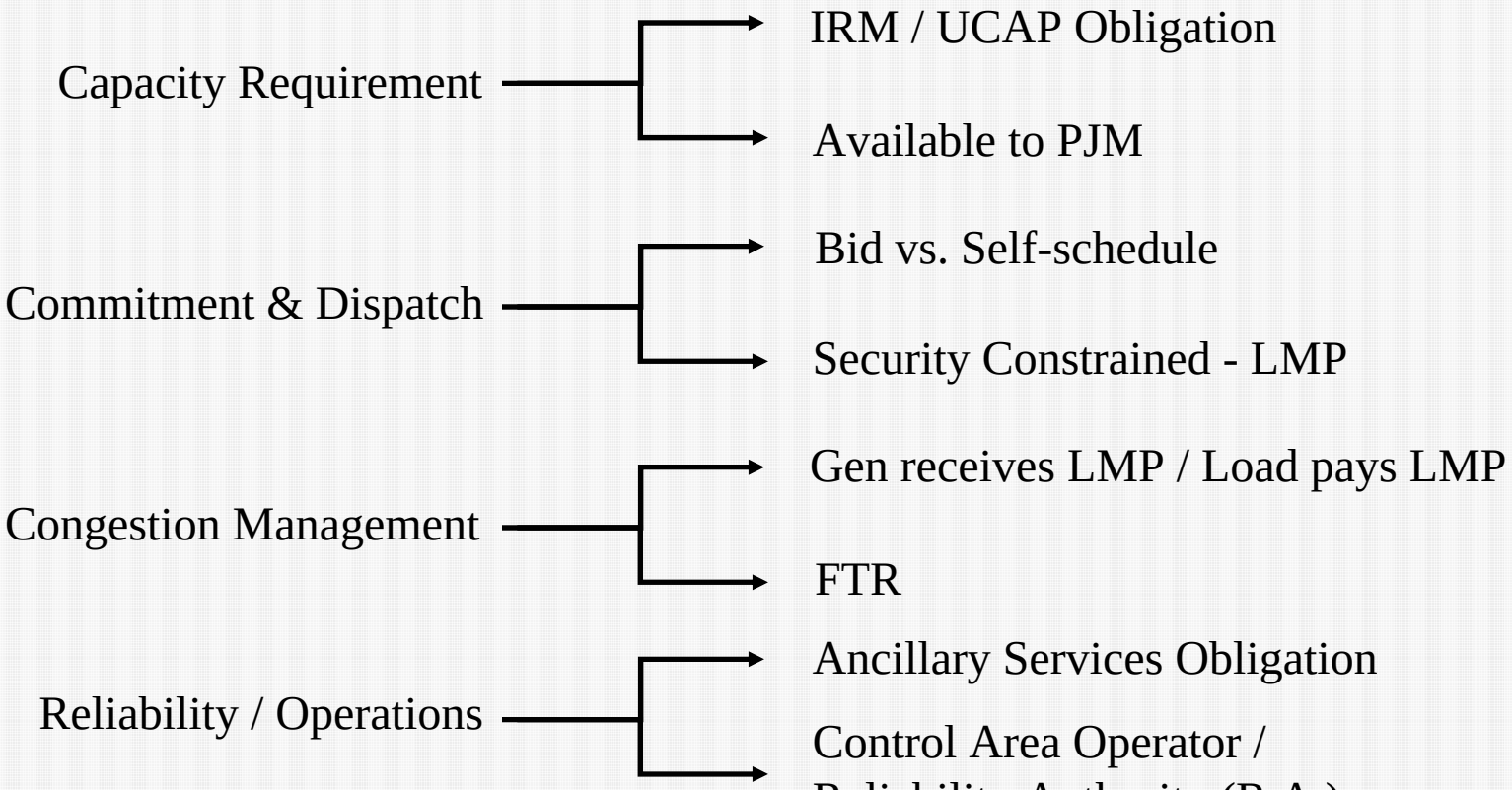
LMP = $30 / MWh

Congestion Cost = [$30 - $25] = $5 / MWh

FTR Revenue = $5 / MWh x 100 MW = $500 / hr

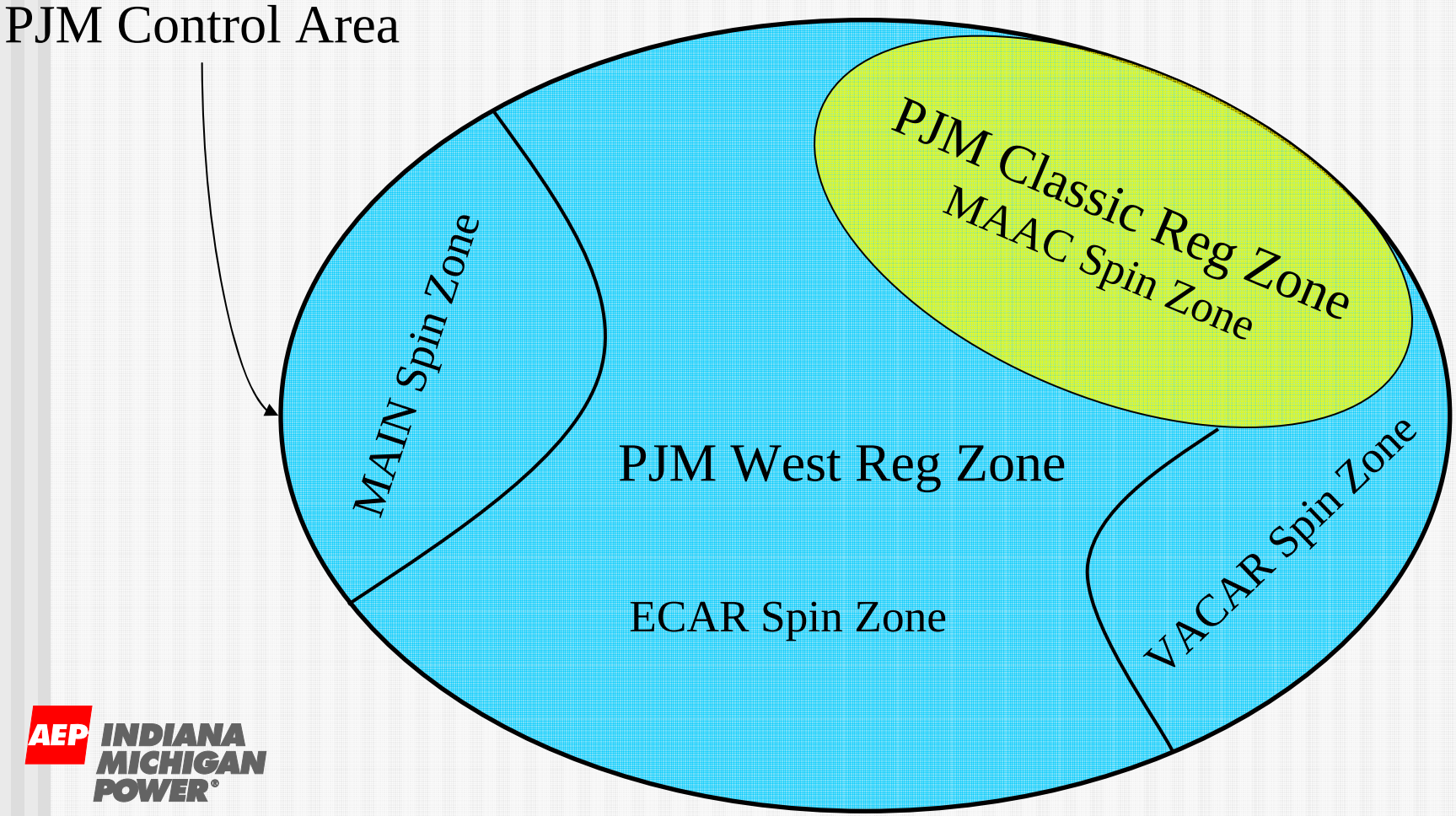
AEP INDIANA MICHIGAN POWER®

Major Elements



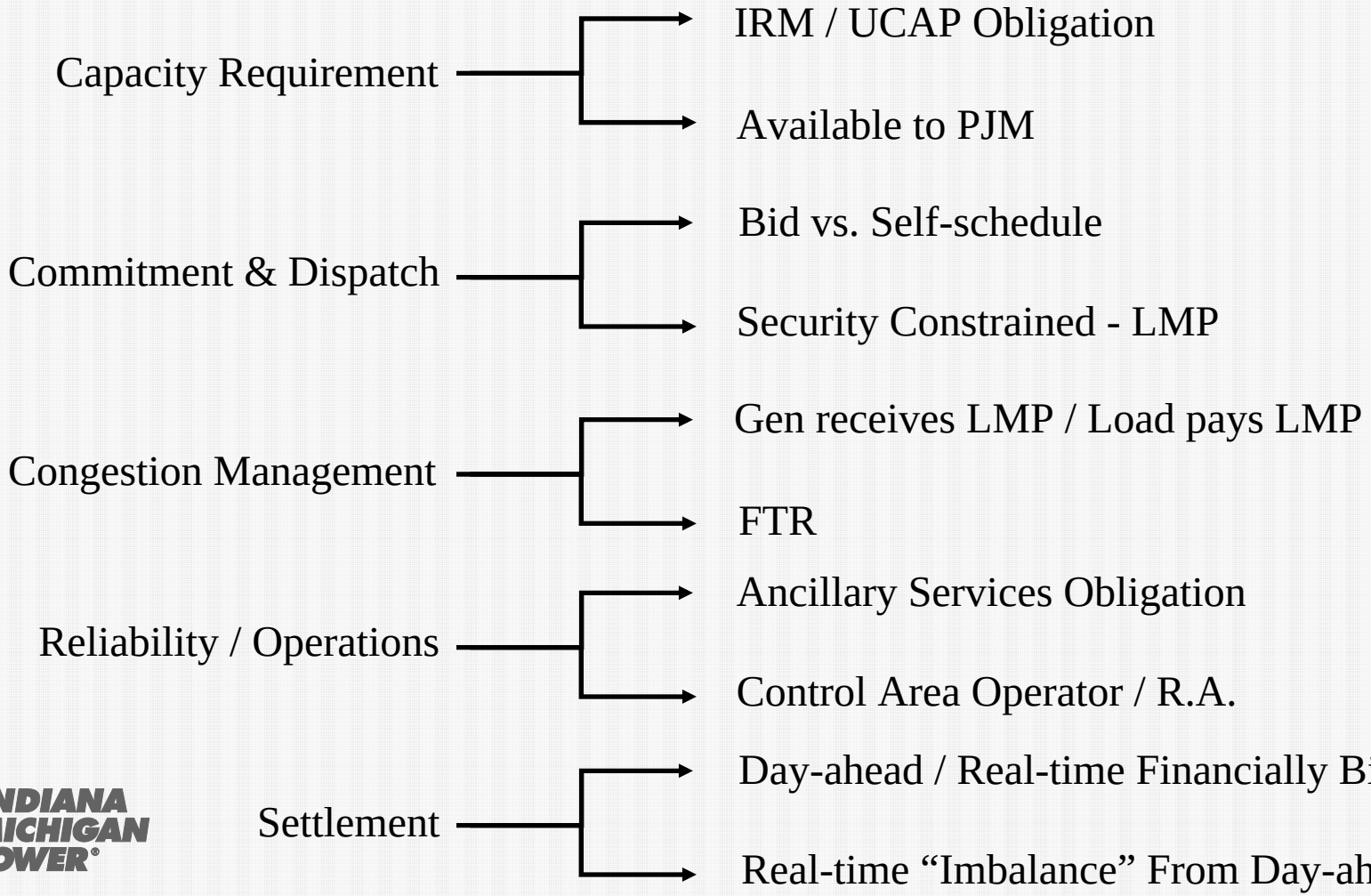
AEP INDIANA MICHIGAN POWER®

Reliability / Operations



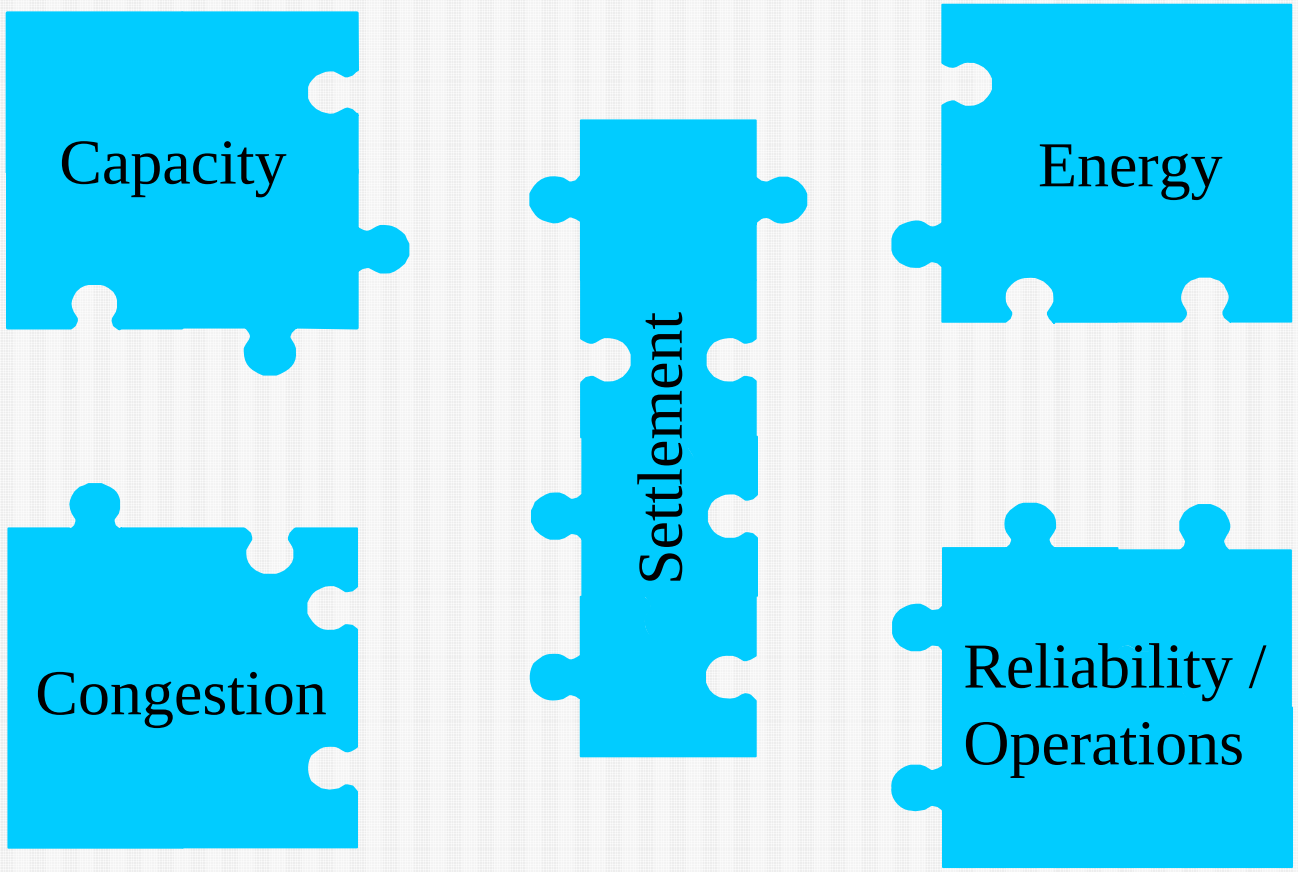
AEP INDIANA MICHIGAN POWER®

Major Elements



AEP INDIANA MICHIGAN POWER®

The Elements Fit Together



AEP INDIANA MICHIGAN POWER®

MISO Day 2

- No significant impact on Indiana Michigan Power's operations as a result of MISO Day 2 start-up
- No impact on AEP's capacity obligation or its available supply
- No impact on AEP's pool operation and settlement
- MISO and PJM are now using a market-to-market approach to congestion management
  - ✓ No noticeable impact on congestion patterns that impact operations
- Transactions between AEP East and AEP West are now subject to congestion across MISO but AEP received an FTR to hedge the congestion

AEP INDIANA MICHIGAN POWER®

Questions?

AEP INDIANA MICHIGAN POWER®